



**Macatawa Area
Coordinating Council**

A Cooperative Effort Among Units of Government

HOLLAND, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008



Vredevelde Haefner LLC

CPA's

MACATAWA AREA COORDINATING COUNCIL

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INDEPENDENT AUDITORS' REPORT

December 4, 2008

Members of the Council Board
Macatawa Area Coordinating Council
Holland, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Macatawa Area Coordinating Council, as of and for the year ended September 30, 2008, which collectively comprise the Macatawa Area Coordinating Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Macatawa Area Coordinating Council. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Macatawa Area Coordinating Council as of September 30, 2008, and the respective changes in financial position, and the budgetary comparison for each major fund the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2008, on our consideration of the Macatawa Area Coordinating Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Vredeveld Haefner LLC

Management's Discussion and Analysis

About the Council

The Macatawa Area Coordinating Council (the Council) is a Metropolitan Planning Organization and is an area wide association of governmental units in the Holland/Zeeland area organized to encourage cooperation among neighboring governmental units on area wide issues.

Financial Highlights

- Added Macatawa Area Express (MAX) as a new member.
- Through watchful planning and monitoring of expenditures, the Council was able to end the year with an excess of revenues over expenditures in each fund.
- A grant was awarded to the brownfield fund with initial project costs incurred in the current year

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. The Council's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information (this management discussion and analysis) in addition to the basic financial statements themselves.

Government-wide financial statements

The *Government-wide financial statements* are designed to provide readers with a broad overview of the Council's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Council's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Council is improving or deteriorating.

The *statement of activities* presents information showing how the Council's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the Council that are principally supported by fees and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The Council currently has no business-type activities.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Council, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Council only utilizes governmental funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial

statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Council's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Council's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances, provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Council adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for the all funds to demonstrate compliance with this budget.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

The following table presents condensed information about the Council's financial position for the past two (2) fiscal years. Net assets increased \$85,025 during the year. Total net assets include long-term debt and the investment in capital assets. Capital assets represent the capital assets held by the Council, net of related accumulated depreciation

	<u>2008</u>	<u>2007</u>
Current and other assets	\$818,288	\$647,233
Capital assets	18,683	37,909
Total assets	836,971	685,142
Current and other liabilities	118,138	68,835
Long-term liabilities	26,033	8,532
Total liabilities	144,171	77,367
Net assets		
Invested in capital assets, net of related debt	10,151	20,851
Unrestricted	682,649	586,924
Total net assets	\$692,800	\$607,775

Income and Expenses

The Council has maintained a stable financial position during the year ended September 30, 2008. Income was slightly greater than expenses. A summary of revenues and expenses for the past two (2) fiscal years is presented below.

	<u>2008</u>	<u>2007</u>
Program revenues		
Operating grants and contributions	\$386,484	\$372,533
Charges for watershed services	110,000	110,000
General revenues		
Membership dues	153,152	148,665
Unrestricted interest income	13,654	19,881
Total revenues	<u>663,290</u>	<u>651,079</u>
Functions/program expenses		
Transportation	474,167	355,370
Watershed	99,613	252,599
Brownfield	4,251	-
Interest expense	234	1338
Total expenses	<u>578,265</u>	<u>609,307</u>
Change in net assets	85,025	41,772
Net assets, beginning of year	607,775	566,003
Net assets, end of year	<u>\$692,800</u>	<u>\$607,775</u>

Budgetary Highlights

Differences between the original and final amended budget in the General Fund were due to an increase in grant dollars along with a corresponding increase in anticipated contractual services for the Westrain project. Budgeted salary expenditures decreased due to a lower than expected staffing level.

Capital Asset and Long-Term Debt Activities

The Council's capital assets consist of equipment, donated equipment, and leasehold improvements. There were no significant changes in capital assets during the year ended September 30, 2008. Additional information on capital assets can be found in note 4 to the financial statements.

Debt activity consists of repayments made during the year on debt outstanding which was issued for the purchase of leasehold improvements. Additional information on long-term debt can be found in note 7 to the financial statements.

Economic Factors and Next Year's Budget

The Council is mindful of the current economic climate as well as the state of cutbacks which are affecting the members of the Council. Factors considered in next year budget include expected flat funding levels and a slight increase in the cost of labor associated with inflation. The Council has made every attempt to provide services at a consistent level without increasing the cost to members. Expenditures are monitored carefully as well as pursuing any and all sources of additional revenues.

Contacting the Council Management

This management's discussion and analysis provides an overview of the current and prospective financial condition of the Council's operations and financial position. If there are questions concerning this report or if additional information is desired, please contact the Executive Director, Macatawa Area Coordinating Council, 400 136th Avenue, Suite 416, Holland, MI 49424.

BASIC FINANCIAL STATEMENTS

MACATAWA AREA COORDINATING COUNCIL

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2008

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 593,757
Accounts receivable	80,724
Due from other governments	142,154
Prepaid items	1,653
Capital assets, net	<u>18,683</u>
Total assets	<u>836,971</u>
Liabilities	
Accounts payable and accrued expenses	114,077
Accrued compensation	2,805
Unearned revenue	1,256
Noncurrent liabilities	
Compensated absences	17,501
Due within one year	2,745
Due in more than one year	<u>5,787</u>
Total liabilities	<u>144,171</u>
Net Assets	
Invested in capital assets, net of related debt	10,151
Unrestricted	<u>682,649</u>
Total net assets	<u>\$ 692,800</u>

The accompanying notes are an integral part of these financial statements.

MACATAWA AREA COORDINATING COUNCIL

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expense) Revenue
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government						
Governmental activities						
Transportation	\$ 474,167	\$ (26,682)	\$ -	\$ 329,949	\$ -	\$ (117,536)
Watershed	99,613	26,682	110,000	51,674	-	35,379
Brownfield	4,251	-	-	4,861	-	610
Interest expense	234	-	-	-	-	(234)
Total governmental activities	\$ 578,265	\$ -	\$ 110,000	\$ 386,484	\$ -	(81,781)
General revenues						
Transportation dues						153,152
Interest earnings						13,654
Total general revenues						166,806
Change in net assets						85,025
Net assets, beginning of year						607,775
Net assets, end of year						<u>\$ 692,800</u>

The accompanying notes are an integral part of these financial statements.

MACATAWA AREA COORDINATING COUNCIL

GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

SEPTEMBER 30, 2008

	General Fund	Watershed Project Fund	Brownfield Project Fund	Total
Assets				
Cash and cash equivalents	\$ 501,097	\$ 92,050	\$ 610	\$ 593,757
Due from other governments	136,110	6,044	-	142,154
Accounts receivable	80,724	-	-	80,724
Prepaid expenditures	1,653	-	-	1,653
Total Assets	\$ 719,584	\$ 98,094	\$ 610	\$ 818,288
Liabilities and fund balance				
Liabilities				
Accounts payable and accrued liabilities	\$ 111,504	\$ 2,573	\$ -	\$ 114,077
Accrued compensation	2,065	740	-	2,805
Deferred revenue	1,256	-	-	1,256
Total Liabilities	114,825	3,313	-	118,138
Fund balances				
Unreserved				
Undesignated	604,759	94,781	610	700,150
Total fund balances	604,759	94,781	610	700,150
Total liabilities and fund balance	\$ 719,584	\$ 98,094	\$ 610	\$ 818,288

The accompanying notes are an integral part of these financial statements.

MACATAWA AREA COORDINATING COUNCIL

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS

SEPTEMBER 30, 2008

Fund balances - total governmental funds	\$ 700,150
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - capital assets (net)	18,683
Certain liabilities, such as compensated absences and long term debt, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	(17,501)
Deduct - Installment purchase payable	<u>(8,532)</u>
Net assets of governmental activities	<u>\$ 692,800</u>

The accompanying notes are an integral part of these financial statements.

MACATAWA AREA COORDINATING COUNCIL

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	General Fund	Watershed Project Fund	Brownfield Project Fund	Total
Revenues				
Federal	\$ 208,520	\$ 46,674	\$ 4,861	\$ 260,055
State	121,379	-	-	121,379
Local	153,152	110,000	-	263,152
Indirect cost reimbursement	26,682	-	-	26,682
Donations	-	5,000	-	5,000
Interest income	13,654	-	-	13,654
Miscellaneous income	50	-	-	50
Total revenues	<u>523,437</u>	<u>161,674</u>	<u>4,861</u>	<u>689,972</u>
Expenditures				
Current				
General government				
Salaries	147,344	45,239	-	192,583
Fringes	52,469	11,093	-	63,562
Indirect cost expenditures	-	26,682	-	26,682
Contract services	143,929	36,473	-	180,402
Professional fees	15,594	-	-	15,594
Audit services	12,679	-	-	12,679
Insurance	2,961	-	-	2,961
Meeting expenditures	-	139	-	139
Dues and subscriptions	2,696	-	-	2,696
Equipment rental	1,788	-	-	1,788
Office supplies	4,025	421	-	4,446
Postage	2,415	10	-	2,425
Printing	432	-	-	432
Electricity	4,741	-	-	4,741
Telephone	3,142	960	-	4,102
Professional development	13,903	1,821	934	16,658
Rent	16,071	-	-	16,071
Education	195	1,422	-	1,617
Repairs and maintenance	10,111	-	-	10,111
Property taxes	3,694	-	-	3,694
Miscellaneous	9,011	677	3,317	13,005
Capital outlay	8,379	-	-	8,379
Debt service				
Principal	8,527	-	-	8,527
Interest	234	-	-	234
Total expenditures	<u>464,340</u>	<u>124,937</u>	<u>4,251</u>	<u>593,528</u>
Net changes in fund balances	59,097	36,737	610	96,444
Fund balances, beginning of year	<u>545,662</u>	<u>58,044</u>	<u>-</u>	<u>603,706</u>
Fund balances, end of year	<u>\$ 604,759</u>	<u>\$ 94,781</u>	<u>\$ 610</u>	<u>\$ 700,150</u>

The accompanying notes are an integral part of these financial statements.

MACATAWA AREA COORDINATING COUNCIL

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Net changes in fund balances - total governmental funds	\$	96,444
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Amounts reported for *governmental activities* in the statement of activities
are different because

Governmental funds report capital outlays as expenditures. However, in the statement
of activities, the cost of those assets are allocated over their estimated useful lives
and reported as depreciation expense.

Add - capital asset additions	7,662
Deduct - depreciation expense	(26,888)

Long-term debt proceeds provide current financial resources to governmental funds in the period
issued, but issuing long-term debt increases long-term liabilities in the statement of net assets.
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term debt	6,127
Add - principal payments on installment purchase	2,400

Some expenses reported in the statement of activities do not require the use of current
financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in compensated absences	<u>(720)</u>
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Change in net assets of governmental activities	\$	<u>85,025</u>
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The accompanying notes are an integral part of these financial statements.

MACATAWA AREA COORDINATING COUNCIL

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budget Amounts		Actual	Variance
	Original	Final	Amount	Positive (Negative)
Revenues				
Federal	\$ 207,020	\$ 247,022	\$ 208,520	\$ (38,502)
State	115,500	225,512	121,379	(104,133)
Local	153,097	153,153	153,152	(1)
Indirect cost reimbursement	76,433	83,567	26,682	(56,885)
Donations	-	-	-	-
Interest income	18,500	15,000	13,654	(1,346)
Miscellaneous income	-	-	50	50
Total revenues	<u>570,550</u>	<u>724,254</u>	<u>523,437</u>	<u>(200,817)</u>
Expenditures				
Current				
General government				
Salaries	242,138	194,638	147,344	47,294
Fringes	52,469	52,469	52,469	-
Contract services	99,700	121,212	143,929	(22,717)
Professional fees	22,000	19,000	15,594	3,406
Audit services	14,000	14,000	12,679	1,321
Insurance	4,700	4,700	2,961	1,739
Meeting expenditures	-	-	-	-
Dues and subscriptions	3,700	3,700	2,696	1,004
Equipment rental	2,000	2,000	1,788	212
Office supplies	6,750	5,250	4,025	1,225
Postage	3,750	3,250	2,415	835
Printing	10,000	9,250	432	8,818
Electricity	4,000	5,500	4,741	759
Telephone	4,500	4,800	3,142	1,658
Professional development	16,250	18,250	13,903	4,347
Rent	14,500	14,500	16,071	(1,571)
Education	3,000	3,000	195	2,805
Repairs and maintenance	15,700	13,200	10,111	3,089
Property taxes	4,000	4,000	3,694	306
Miscellaneous	14,850	15,250	9,011	6,239
Capital outlay	3,500	6,000	8,379	(2,379)
Debt service				
Principal	-	-	8,527	(8,527)
Interest	825	825	234	591
Total expenditures	<u>542,332</u>	<u>514,794</u>	<u>464,340</u>	<u>50,454</u>
Net changes in fund balance	28,218	209,460	59,097	(150,363)
Fund balance, beginning of year	<u>545,662</u>	<u>545,662</u>	<u>545,662</u>	<u>-</u>
Fund balance, end of year	<u>\$ 573,880</u>	<u>\$ 755,122</u>	<u>\$ 604,759</u>	<u>\$ (150,363)</u>

The accompanying notes are an integral part of these financial statements.

MACATAWA AREA COORDINATING COUNCIL

WATERSHED FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Federal	\$ 50,000	\$ 75,000	\$ 46,674	\$ (28,326)
State	10,000	-	-	-
Local	110,000	110,000	110,000	-
Donations	20,000	5,000	5,000	-
Interest income	-	-	-	-
Miscellaneous income	-	-	-	-
Total revenues	<u>190,000</u>	<u>190,000</u>	<u>161,674</u>	<u>(28,326)</u>
Expenditures				
Current				
General government				
Salaries	46,901	46,901	45,239	1,662
Fringes	11,093	11,093	11,093	-
Indirect expenditures	76,433	83,567	26,682	56,885
Contract services	110,325	127,332	36,473	90,859
Professional fees	-	-	-	-
Audit services	-	-	-	-
Insurance	-	-	-	-
Meeting expenditures	3,000	2,000	139	1,861
Dues and subscriptions	-	-	-	-
Equipment rental	-	-	-	-
Office supplies	2,000	1,500	421	1,079
Postage	1,500	750	10	740
Printing	-	-	-	-
Electricity	-	-	-	-
Telephone	600	900	960	(60)
Professional development	4,600	2,600	1,821	779
Rent	-	-	-	-
Education	3,500	2,300	1,422	878
Repairs and maintenance	-	-	-	-
Property taxes	-	-	-	-
Miscellaneous	1,470	1,470	677	793
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>261,422</u>	<u>280,413</u>	<u>124,937</u>	<u>155,476</u>
Net changes in fund balance	(71,422)	(90,413)	36,737	127,150
Fund balance, beginning of year	<u>58,044</u>	<u>58,044</u>	<u>58,044</u>	<u>-</u>
Fund balance, end of year	<u>\$ (13,378)</u>	<u>\$ (32,369)</u>	<u>\$ 94,781</u>	<u>\$ 127,150</u>

The accompanying notes are an integral part of these financial statements.

MACATAWA AREA COORDINATING COUNCIL

BROWNFIELD FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Federal	\$ -	\$ 38,333	\$ 4,861	\$ (33,472)
State	-	-	-	-
Local	-	-	-	-
Donations	-	-	-	-
Interest income	-	-	-	-
Miscellaneous income	-	-	-	-
Total revenues	-	38,333	4,861	(33,472)
Expenditures				
Current				
General government				
Salaries	-	-	-	-
Fringes	-	-	-	-
Indirect expenditures	-	-	-	-
Contract services	-	-	-	-
Professional fees	-	-	-	-
Audit services	-	-	-	-
Insurance	-	-	-	-
Meeting expenditures	-	-	-	-
Dues and subscriptions	-	-	-	-
Equipment rental	-	-	-	-
Office supplies	-	-	-	-
Postage	-	-	-	-
Printing	-	-	-	-
Electricity	-	-	-	-
Telephone	-	-	-	-
Professional development	-	5,000	934	4,066
Rent	-	-	-	-
Education	-	-	-	-
Repairs and maintenance	-	-	-	-
Property taxes	-	-	-	-
Miscellaneous	-	3,000	3,317	(317)
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	8,000	4,251	3,749
Net changes in fund balance	-	30,333	610	(29,723)
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ 30,333	\$ 610	\$ (29,723)

The accompanying notes are an integral part of these financial statements.

MACATAWA AREA COORDINATING COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Macatawa Area Coordinating Council (the "Council") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Macatawa Area Coordinating Council. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with the Council.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by member fees and intergovernmental revenues are reported in total. The Council has no business-type or fiduciary activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Member fees and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

All individual governmental funds are reported as separate columns in the fund financial statements.

The Council reports the following major governmental funds

The *General Fund* is the general operating fund of the Council. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Watershed Special Revenues Fund* accounts for the receipt and disbursement of funds associated with the watershed project.

The *Brownfield Special Revenue Fund* accounts for the receipt and disbursement of funds associated with the brownfield project.

When both restricted and unrestricted resources are available for use, it is the Council's policy to use restricted resources first, then unrestricted resource as they are needed.

MACATAWA AREA COORDINATING COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Member fees are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants and interest which use a one year collection period. Grants and similar items are recognized as revenue when the related expenditure is recognized. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include: (1) principal and interest on long-term debt and compensated absences which are recognized when due.

All Governmental Funds are accounted for on a spending or "flow of current financial resources" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available, spendable resources".

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available, spendable resources" during a period.

Budgets and Budgetary Accounting

Comparisons to budget are presented for the General and Special Revenue Funds. The Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 30, the Executive Director submits to the Council Board a proposed operating budget for the fiscal year commencing the following October 1.
2. Public hearings are conducted to obtain comments.
3. Prior to October 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the funds.
5. The budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

MACATAWA AREA COORDINATING COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

6. Adoption and amendments of all budgets used by the Council are governed by Michigan Law. The appropriations ordinances are based on the projected expenditures budget of the various functions of the Council. Any amendment to the original budget must meet the requirements of Michigan Law. The Council did amend its budget for the year ended September 30, 2008. Any revisions that alter the expenditures at the line item level within the fund must be approved by the Council Board.

Deposits and Investments

State statutes authorize the Council to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

The Council's investment policy allows for the investment of funds in certificates of deposit, savings accounts, and other depository accounts.

Accounts Receivable/ Due From Other Governments

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances are immaterial to the financial statements.

Capital Assets

Capital assets, which include Donated equipment, purchased equipment, and leasehold improvements are reported in the governmental activities column in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

MACATAWA AREA COORDINATING COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on capital assets, is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Leasehold Improvements	3-15
Purchased Equipment	3-7
Donated Equipment	3

Deferred Revenue

Funds report *deferred revenue* in connection with accounts receivable that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

Compensated Absences

Under employee policy, employees have a vested right to receive payments for unused vacation benefits under formulas and conditions specified in the personnel procedures manual. Accumulated vacation time related to governmental funds is recorded on the statement of net assets and not on the governmental fund balance sheets because it is not expected to be liquidated with expendable available financial resources.

Membership dues

The Council receives dues from member local units of government. Dues are computed on a per capita basis based on the most recent population data. Dues revenue is recognized as revenue in the year for which it is levied.

Grants and Other Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

Interfund Transactions

Transactions that constitute indirect costs reimbursements are recorded as expenditures in the reimbursing fund and as revenues in the fund that is reimbursed.

MACATAWA AREA COORDINATING COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Risk Management

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended September 30, 2008, the Council carried commercial insurance to cover risks of losses. The Council has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

PA. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Council's actual expenditures and budgeted expenditures for the budgetary funds have been shown at the line item level, the same level at which the budgets were adopted. During the year ended September 30, 2008, the Council incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>(Unfavorable)</u>
General Fund			
Contract Services	\$ 121,212	\$ 143,929	\$ (22,717)
Rent	14,500	16,071	(1,571)
Capital outlay	6,000	8,379	(2,379)
Principal	-	8,527	(8,527)
Watershed Fund			
Telephone	900	960	(60)
Brownfield Fund			
Telephone	3,000	3,317	(317)

3. DEPOSITS

The balance on the financial statements for cash and cash equivalents of \$593,757 consists of deposits in a bank of \$593,557 and petty cash of \$200.

This balance is in one financial institution located in Michigan. State policy limits the Council's investing options to financial institutions located in Michigan. All accounts are in the name of the Council and a specific fund or common account. They are recorded in Council records at fair value.

Deposit risk

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Council's deposits may not be returned. As of year-end, \$499,647 of the Council's bank balance of \$599,647 was exposed to custodial credit risk because it was uninsured and uncollateralized.

MACATAWA AREA COORDINATING COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance October 1, 2007	Additions	Deletions	Balance September 30, 2008
Governmental activities				
Capital assets, being depreciated				
Purchased Equipment	\$88,778	\$ 7,662	\$ -	\$96,440
Donated Equipment	30,605	-	-	30,605
Leasehold Improvements	23,044	-	-	23,044
Total capital assets, being depreciated	142,427	7,662	-	150,089
Less accumulated depreciation for				
Purchased Equipment	68,994	8,763	-	77,757
Donated Equipment	30,454	151	-	30,605
Leasehold Improvements	5,069	17,975	-	23,044
Total accumulated depreciation	104,517	26,889	-	131,406
Governmental activities capital assets, net	\$37,910	\$(19,227)	\$ -	\$18,683

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
Transportation	\$25,531
Watershed	1,358
Total	\$26,889

5. DEFINED CONTRIBUTION PENSION PLAN

The Council maintains a defined contribution pension plan covering substantially all employees. The Council matches both part-time and full-time employee contributions to the plan up to a maximum of 5% of employee annual compensation during the first year of employment. The Council matches employee contributions to the plan up to 7% of employee annual compensation for the second year of service and forward. With respect to employer contributions, employees receive a vesting amount based on the personnel policy. Employee contributions for the year ended September 30, 2008 were \$19,300. Employer contributions for the year ended September 30, 2008 were \$15,618.

6. OPERATING LEASES

The Council has entered into an operating lease for its facilities which requires monthly payments of \$1,770 through July 31, 2009. During the current year \$11,976 was expended for facility lease payments.

MACATAWA AREA COORDINATING COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

7. LONG-TERM LIABILITIES

The following is a summary of the long-term liabilities transactions of the Council for the year.

	<u>Balance October 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2008</u>	<u>Due Within One Year</u>
Governmental Activities					
Leasehold improvements installment purchase. Payments due in monthly installments of \$636 through July 2008.	\$ 6,127	\$ -	\$ 6,127	\$ -	\$ -
Copier installment purchase. Payments due in monthly installments of \$311 including interest through June 2011.	10,932	-	2,400	8,532	2,400
Total Debt	17,059	-	8,527	8,532	2,400
Accrued compensated absences	16,781	720	-	17,501	-
Total Long-Term Liabilities	\$36,956	\$ 720	\$10,923	\$26,033	\$2,400

The copier associated with the above noted installment purchase was included in capital assets on the statement of net assets with a remaining net book value of \$8,612.

The following is a schedule of future minimum payments required:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$2,745	\$987
2010	3,140	592
2011	2,647	152
Total	\$8,532	\$1,731

8. CONTINGENCIES

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement to the grantor or regulatory agencies. However, management believes such disallowances, if any, will not be material to the financial position of the Council.

9. SUBSEQUENT EVENT

Subsequent to year end the members of the Council established a separate not-for-profit entity to purchase and hold a building for a total price of \$453,239. The funds for the purchase were transferred from the Council to the holding company.

CONTROL AND COMPLIANCE SECTION



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

December 4, 2008

Members of the Council Board
Macatawa Area Coordinating Council
Holland, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Macatawa Area Coordinating Council (the Council), as of and for the year ended September 30, 2008, which collectively comprise the Council's basic financial statements and have issued our report thereon dated December 4, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Council's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Council's financial statements that is more than inconsequential will not be prevented or detected by the Council's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Council's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Council's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Council's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Policy Board and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Oradonold Haefner LLC

MACATAWA AREA COORDINATING COUNCIL

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Finding 2008-1

The Council is utilizing a provisional indirect cost rate for monthly billing as required by the approved cost allocation plan, however, an "after the fact" computation utilizing actual costs is not currently being completed or accounted for. We further noted time sheets for staff working on grant funded programs did not always identify the specific grant that was being charged for the time that was being worked and the portion of fringe benefits for staff working on grant funded programs was being allocated to each program based on a common percentage of payroll rather than the actual fringe benefit rate for the employees working on the program.

Management response: We will complete the recalculation of the indirect rate based on actual costs and appropriately account for any variance between the provisional and final calculated indirect cost rate. As part of this determination, we will review OMB guidance and implement a program to assure compliance with time and fringe benefit reporting requirements.